



Examiners' report

P3 Business Analysis

June 2009

General Comments

Candidate performance in this examination was reasonably good and broadly in-line with previous sittings. In the compulsory question, only part c(ii) caused any significant difficulties. All other parts were reasonably well answered.

None of the three optional questions was particularly unpopular. The most problematic part questions were question 3b, where candidates seemed unsure about the process of software evaluation and question 4b, where some candidates were not familiar with DMAIC.

Effective time management is required in this paper. The scenarios are rich in detail and material. There are always more points available than marks on offer. This is deliberately so and is something the examiner verifies for each examination. Consequently the candidate has to carefully select the material, tailor answers to the marks on offer and ensure that the answer is focussed on the question. There was some evidence of time management problems in this examination, possibly caused by over-enthusiastic answers to question 1a.

The June 2009 examination paper was a landmark paper for the ACCA because, for the first time, scripts were scanned and marked on-line. The scanning of the script actually enhances the hand writing of the candidate. The text size can also be increased to improve readability. However, despite this, the candidate is reminded to write legibly and make the answers a pleasure to mark. We recognise that handwriting has largely been displaced by typing in the business world. Consequently it is worth practising this skill, particularly for a three hour period. Some of the later answers are almost unreadable, probably because the hand is unused to such long periods of writing.

Specific Comments

Section A

This comprised of one question, worth fifty marks. The first part of this question asked candidates to undertake a SWOT analysis of *greenTech* to evaluate the company's strategic position. This was designed as a gentle introduction to the paper, giving candidates an early opportunity to confidently gain relatively easy marks. It should have also helped candidates prepare themselves for the subsequent evaluation of strategic options (part b of this question). The P3 examination panel decided to restrict candidates to a SWOT analysis so that answers did not use too many alternative models, consuming a disproportionate amount of examination time. Candidates generally answered this question very well with many answers gaining ten marks or more of the twelve on offer. However, despite restricting the question to a SWOT analysis, there was evidence that some candidates spent too long on this part question, writing too much and causing themselves time problems later in the examination.

The second part of the compulsory question asked candidates to evaluate the three proposals suggested in the scenario and to justify the selection of the proposal from Professor Ag Wan as the best strategic option for *greenTech* to pursue. This was a significant part question (worth twenty marks). Although it was answered quite well, many candidates did not apply sufficient analysis and evaluation. For example, in considering Fenix's suggestion to buy manufacturing capability, many candidates made the legitimate point that this would secure the supply chain and potentially reduce supply costs. However, fewer candidates recognised that *greenTech* had grown organically to this point and had no demonstrable capability in acquiring companies and managing these acquisitions. Even fewer candidates pointed out that evidence suggests that few acquisitions (even when made by experienced acquirers) deliver the anticipated benefits. The justification of the Ag Wan selection was also relatively weak. Some candidates felt that it was not the best option and explained why in their answer. Although this analysis might be legitimate it is not answering the question. The question requires the candidate to take a position and to justify this position whether they believe it or not.

The final part of the compulsory question was split into two parts. The first part asked candidates to identify deficiencies in the current Internet-based process for ordering and configuring fully assembled green computers and to recommend a new process for remedying these deficiencies. This type of question has not been asked as a compulsory question before. Despite this, most candidates provided good answers, showing good business analysis skills within the constraint of a time-constrained examination. The second part of this question asked candidates to reflect on the relationship between strategic planning and process design. This was poorly answered, with many candidates providing only cursory answers. Some candidates did answer this question using the framework of the Harmon process-strategy grid. Although this is not recognised in the suggested model answer, credit was given for using this approach and relating it to the case study.

Section B

Section B of the examination comprised three questions and the candidate was required to attempt two. Each question was worth twenty five marks.

Question Two

Question Two concerned an electronics company called Rock Bottom which had passed through three distinct phases of trading between 1965 and 2008, when it stopped trading. The candidate was asked to analyse the reasons for Rock Bottom's success or failure in each of the three phases identified in the scenario. Candidates were also asked to evaluate the leadership style of Rick Hein (the founder of Rock Bottom) and how his style contributed to the success or failure of each phase. There were eighteen marks for this analysis.

Most candidates provided a good analysis of phase one (1965 – 1988), but their analyses of the subsequent phases was less comprehensive. There was also some confusion arising from the second part of the question. Many candidates assumed that he did franchise the shops at the start of phase two, but actually he did not. The scenario states that he considered it, but “instead, he floated the company on the country's stock exchange”. Consequently, on some scripts, some parts of the analysis were irrelevant. There was plenty of material for comprehensive analyses of phases two and three (see the published questions and answers) but many candidates just did not use it.

The second part of question two asked candidates to explain the key factors that would have made franchising Rock Bottom feasible in 1988 but unlikely to be successful in 2007. Most candidates were able to identify sufficient key points to achieve a pass in this part question.

Overall, question two was a popular and (overall) well-answered question. Candidates entered into the spirit of the scenario, often referring to well-known business figures who display more than a passing resemblance to Rick Hein!

Question Three

Question Three concerned an energy company that had purchased an inappropriate software package. The scenario identified a number of problems with this package, which had been bought on the recommendation of the recently appointed HR director. The firm supplying the package (RiteSoftware) had subsequently gone into administration. It also emerged that the HR director who had recommended the package was the brother of the managing director of RiteSoftware.

The first part of the question asked candidates to undertake an analysis of the financial information originally provided by RiteSoftware. Consultants brought in to review the project had concluded that this information provided clear signs that RiteSoftware was in difficulty. Candidates were asked to confirm the consultant's conclusion. This was worth thirteen marks. The data allowed candidates to calculate popular profitability, efficiency, liquidity and gearing ratios. There were also structural problems in the accounts concerning goodwill, retained profit and the financing of the company. It was clear that RiteSoftware was a company in trouble, run by

directors that could see its imminent demise. Overall, candidates produced reasonable answers to this part question, many scoring pass marks on their analysis of a restricted set of ratios. However, just as in question two part a, there was a wealth of information in the scenario that many candidates just did not use.

The second part of the question asked the candidate to examine four ways in which the energy company failed to follow a proper evaluation procedure in the selection of the software package. The candidate was asked to include a discussion of the implication of each failing. This was worth twelve marks. This question should have resulted in answers that gave a relatively straightforward description of a rigorous evaluation process, comparing it to a company which had not used a process at all! The implication of each failing was signposted in the scenario. For example, the failure to define requirements in advance had led to the need to commission software amendments. Too many answers to this part question were disappointing and disorganised, failing to structure the answer in such a way to gain the marks on offer. In many instances this seemed to reflect unfamiliarity with this part of the syllabus.

Question Four

The final optional question concerned an inappropriate management reward scheme at an organisation called Elegant Hotels. The first part of the question asked candidates to analyse the unanticipated consequences of this scheme. This was worth fifteen marks. The second part of the question asked candidates to evaluate the potential benefits of using the DMAIC methodology at Elegant Hotels. This was worth ten marks.

Generally, candidates answered the first part of the question reasonably well. They could see the problems created by the definition and imbalance of the performance measures. Many candidates identified the problems recorded in visitor's comments as due to the cost-cutting necessary to achieve the net profit margin.

Candidates who knew about DMAIC generally answered the second part of the question reasonably well. There was sufficient information in the scenario for them to make many specific comments about define, measure and analyse elements of DMAIC at Elegant Hotels. The absence of part b answers from some candidates suggested that they had either run into time problems or were unfamiliar with this part of the syllabus.